



9A York St
Sydney NSW 2000

PO Box 1026
Strathfield NSW 2135
Australia

T: 02 8741 6000
F: 02 8741 6123
mynrma.com.au

10th November, 2014

Senate Standing Committees on Rural and
Regional Affairs and Transport
PO Box 6100
Parliament House
CANBERRA ACT 2600

Dear Sir/Madam,

**The National Roads and Motorists' Association (NRMA) Submission to the Senate Standing
Committees on Rural and Regional Affairs and Transport – Inquiry into Australia's Transport
Energy Resilience and Sustainability**

INTRODUCTION

NRMA welcomes the decision to establish the inquiry into Australia's Transport Energy Resilience and Sustainability.

NRMA is Australia's largest mutual organization representing 2.5 million Members in New South Wales and the Australian Capital Territory. For more than 90 years, NRMA has represented the interests of motorists in relation to road funding, road safety, fairer petrol prices, driver education and other related public policy issues.

On behalf of our Members, NRMA is committed to working for a sustainable and less volatile transport energy future. Through the Australian Automobile Association,¹ NRMA is calling for the Australian Government to develop a comprehensive Transport Energy Plan for Australia to reduce our dependence on imported oil and thereby the associated economic, security and environmental risks currently facing Australia.

This submission draws on a substantial body of work NRMA has commissioned over the past 6 years focusing on transport energy resilience and sustainability; the NRMA reports related to energy security are appended to this submission.

¹ The Australian Automobile Association is the peak organisation representing Australia's motoring clubs with a combined membership of seven million Australians.

In an unstable World, Australia needs to be able to respond adequately to an interruption, or a complete halt to our imported transport fuel supplies, so that our society can continue to function. Australia is currently completely reliant on market forces to assure its fuel security; a position that even the oil companies do not ascribe to. The NRMA's analysis has concluded that our nation's transport energy supply is at risk in that the Government has neither contingency plans nor resiliency measures in place to deal with a significant interruption to supply.

Between mid-2012 and mid-2015, 40% of our nation's oil refining capacity will be shut down.

During this same period, the political instability in some Middle Eastern countries has worsened, our fuel stocks have dwindled, and our capacity to produce specialist fuels for our Defence Forces has been eroded². This declining capacity, combined with the increasing reliance on imported oil and fuel has serious implications for all Australians.

This submission will provide a short summary of the current global context regarding energy security and energy as a free-market commodity, before addressing the three Inquiry Terms of Reference in more detail.

NRMA would welcome the opportunity to provide further details of its fuel security analysis to the Senate Inquiry.

Yours sincerely

Kyle Loades
President

² A type of fuel required by the Australian Navy (F44) will cease to be produced as a result of the recently announced closure of the BP refinery in Brisbane.



THE WORLD AND ENERGY SECURITY

The Executive Director of the International Energy Agency (IEA), Ms Maria van der Hoeven, opened the 2014 APEC Energy Ministerial Meeting in Beijing on 2 September 2014, by stating that:

‘... APEC economies ... must be well-prepared for supply crises. This aspect of energy security – responding to a disruption in energy supplies – remains at the core of the IEA’s mandate.’³

Being ‘well-prepared’ when it comes to national security is one of the core roles for any Government. Recent media reporting in relation to an alleged I Qaeda plan to attack oil tankers in two maritime hotspots that supply Australia with up to 70 per cent of its oil and refined fuels highlights a growing concern over the nation’s near-complete reliance on imported fuel.⁴

Being ‘well-prepared’ does not happen by accident – it takes vision, planning, policies and a regulatory framework that puts at its centre the national good. For this reason, countries around the world of various political persuasions have taken steps to include ‘energy’ into their national security dialogue. Australia too is part of this worldwide trend. However, Australia is unique amongst all oil-importing countries in the developed world in leaving the ‘security’ of our nation’s energy exclusively in the hands of ‘market forces’.⁵

While not a part of the G7, it is useful to examine the broader context of the world energy market and how our allies and friends are viewing their obligations. The G7 Energy Ministers and the EU Commission for Energy met in Rome on 5-6 May 2014. The resulting *Rome G7 Energy Initiative for Energy Security Joint Statement* identified core principles for energy security which included the need for:

- Development of flexible, transparent and competitive energy markets, including gas markets.
- **Diversification of energy fuels, sources and routes, and encouragement of indigenous sources of energy supply.**
- Reducing greenhouse gas emissions, and accelerating the transition to a low carbon economy, as a key contribution to enduring energy security.
- Enhancing energy efficiency in demand and supply, and demand response management.
- Promoting deployment of clean and sustainable energy technologies and continued investment in research and innovation.
- **Improving energy systems resilience by promoting infrastructure modernization and supply and demand policies that help withstand systemic shocks.**
- **Putting in place emergency response systems, including reserves and fuel substitution for importing countries, in case of major energy disruptions.**
- In particular, Paragraph 8 of the Joint Statement noted:

³ Introductory remarks on energy security, IEA Executive Director, 2014 APEC Energy Ministerial Meeting, http://www.iea.org/newsroomandevents/speeches/APEC_Energy_Security.pdf, 2 Sep 14

⁴ <http://www.smh.com.au/national/al-qaeda-threatens-australian-fuel-supplies-20141031-11f4t2.html#ixzz3Hmw4ftQw>, 1 Nov 14

⁵ Analysis conducted for NRMA. Report forthcoming.

*'Energy security must include timely investment to supply energy in line with economic developments and environmental needs. Some investments in infrastructure, needed to increase security of supply, and that **cannot be built according to market rules**, could be supported by regulatory frameworks or by means of public funding.'*⁶

At the subsequent 4-5 June 2014 G7 Leaders summit in Brussels, the Leaders issued a Declaration which addressed the outcomes of the Rome energy ministers meeting by stating their support for the G7 Energy Initiative's 7-principles as well as their commitments to **'identify and implement concrete domestic policies ... to build a more competitive, diversified, resilient and low-carbon energy system.'** Based on the 7-principles, the Declaration also articulated immediate actions upon member nations including to **'conduct assessments of our energy security resilience and enhance joint efforts, including on critical infrastructure, transit routes, supply chains and transport.'**⁷

Australia's total reliance on market forces to ensure energy security is misplaced and a threat to national security. Since the G7 Rome Summit, the challenge of market reliance is an issue that has found a priority position in the policy considerations of the UK Government. The Energy Secretary, The Right Honourable Edward Davey MP, addressed The Economist UK Energy Summit on 10 June 2014 with a speech entitled *'UK Energy Security: Active Government, Smart Intervention'*.⁸ This title leaves no doubt about how the UK government sees its role in achieving energy security for the nation. Secretary Davey noted that 'Energy security and resilience doesn't just happen by accident. Planning to make it happen is meticulous – because our modern lives revolve around the use of energy.' Of particular note, and reflective of the reality of the international energy market place, Secretary Davey advised that 'Often the development and security of markets requires direct political intervention.'

These comments by the Secretary are economically pragmatic, yet firmly commit the UK Government to having a plan to take an active role when the market can no longer meet national security requirements. And this is a nation that already mandates industry fuel stockholdings. The UK is having a conversation about how to maintain security when the market can no longer deliver. The Australian Government has not yet initiated this conversation with the Australian public.

The Government of Japan is also having these difficult conversations, recently driven by the Fukushima accident, but also as part of an ongoing commitment to energy security. In April 2014, the Government of Japan issued their 4th Strategic Energy Plan. Their energy planning is underpinned by the 2002 'Basic Act of Energy Policy', and the introduction in the 4th plan notes that:

⁶ G7 Rome energy ministerial meeting, Joint Statement, http://europa.eu/rapid/press-release_IP-14-530_en.htm?locale=en, 6 May 14

⁷ The Brussels G7 Summit Declaration, http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ec/143078.pdf, June 2014

⁸ Speech by UK Energy Secretary, The Right Honorable Edward Davey, MP, *UK Energy Security: Active Government, Smart Intervention*, 10 June 2014, <https://www.gov.uk/government/speeches/uk-energy-security-active-government-smart-intervention>

'It is essential for (sic) security of states to secure a stable supply of energy ... Japan has to implement energy policy based on the long-term, comprehensive and systematic perspective ...'⁹

The Strategic Energy Plan also acknowledges that there are aspects of the Japanese culture that made them vulnerable to the occurrence of the Fukushima event, and impeded the disaster management in the immediate aftermath. They refer to this cultural phenomenon as the 'myth of safety'. Essentially, Japanese culture is underpinned by a belief in the safety and security that will flow to society when a system of rules, policies and regulations simply exists. If the Government has mandated policies and businesses are expected to follow those policies, then there can be no risk¹⁰. This cultural blindspot is now being addressed with the Government devoting a whole section of the Plan to 'promotion of energy-related understanding at all levels of society.'¹¹

Japan is also proposing a cooperation framework for the ASEAN +3 group (including Japan, China and South Korea) to enhance Strategic Petroleum Reserves (SPR) and crisis management systems for emerging countries in Asia. This initiative is intended to help emerging economies in Asia to develop their SPRs based on Japan's belief that such developments would also be beneficial for its own energy security.

The Government of Japan is now acting like an activist and interventionist Government in much the same way as the UK. The 'myth of safety' and culture of the Japanese people resulted in a disaster that could have been better mitigated, or at least better planned for. The Australian cultural blind spot could be the 'she'll be right' attitude and our blind faith in the markets to deliver our energy security.

A final example of a comprehensive approach to managing energy security which may provide some relevant insights for Australia is Finland's National Emergency Supply Agency (NESA).

The NESA website defines security of supply as "society's ability to maintain the basic economic functions required for ensuring people's livelihood, the overall functioning and safety of society, and the material preconditions for military defence in the event of serious disruptions and emergencies"¹².

The website further notes: "Security of supply is grounded in well-functioning markets and a competitive economy. The markets, however, may not always be sufficient to maintain society's fundamental economic and other critical functions amid disruptions and emergencies. For this reason, diverse security of supply measures are employed to ensure the continuity of national critical infrastructure and services under all circumstances."¹³

Finland's approach to supply security is based on co-operation between the administration and the business community.

⁹ Government of Japan, 4th Strategic Energy Plan, April 2014, http://www.enecho.meti.go.jp/en/category/others/basic_plan/pdf/4th_strategic_energy_plan.pdf, p. 4

¹⁰ Government of Japan, 4th Strategic Energy Plan, April 2014, http://www.enecho.meti.go.jp/en/category/others/basic_plan/pdf/4th_strategic_energy_plan.pdf, p. 87

¹¹ Government of Japan, 4th Strategic Energy Plan, April 2014, http://www.enecho.meti.go.jp/en/category/others/basic_plan/pdf/4th_strategic_energy_plan.pdf, p. 87

¹² www.nesa.fi

¹³ *ibid*



The core elements are of the Finnish approach are:

The National Emergency Supply Organisation (NESO) is a network that maintains and develops security of supply in Finland on the basis of public–private partnership initiatives. Its primary objective is to ensure the conditions necessary for the operations of organisations that are critical to security of supply. Hundreds of enterprises, government authorities, and associations from various sectors of society are active in NESO's pursuit of shared goals.

The National Emergency Supply Organisation consists of the National Emergency Supply Agency, the National Emergency Supply Council, and the individual NESO sectors and pools.

The National Emergency Supply Agency is tasked with planning and measures related to developing and maintaining security of supply. The statutory duties of the agency include providing support for the pools' and sectors' operations. The National Emergency Supply Agency is led by a chief executive officer in accordance with guidelines issued by the NESO Board of Directors.

The National Emergency Supply Council is a body that assesses and reviews the general state of security of supply.

The general mandate for the NESO sectors is to steer, co-ordinate, and monitor preparedness in their respective fields and to determine the goals for the pools.

The business-driven NESO pools are responsible for operational preparedness in their fields. The pools are tasked with monitoring, analysing, planning, and preparing measures for the development of security of supply within their individual industries, as well as with determining which enterprises are critical to security of supply.

The operation of Finland's NESO is funded by a €0.68/Litre (approx. AU 1cents/litre) levy on fuels and other energy sources.

The question that must surely be asked is: why is Australia unique amongst all oil-importing countries in the developed world in leaving the 'security' of our nation's energy exclusively in the hands of 'market forces'? Could it be that we have a unique set of circumstances that allow us to place complete faith and reliance in market forces for the security of fuel supply in contrast to all other developed nations? Or is it that, unlike most other developed nations, we have not yet recognised the need – or perhaps demonstrated the courage - to mandate requirements on the oil / fuel supply chain in Australia?

SENATE INQUIRY ToR 'A' **- Options for Introducing Mandatory Oil Stockholdings**

Despite being the world's ninth-largest energy producer, the total stocks of fuel and oil held in Australia across a range of transport sector usages are precariously low, and look likely to decrease. The Australian Government does not mandate any minimum stock levels to be held by industry nor mandate the reporting of actual industry fuel stockholding levels.

The Bureau of Resources and Energy Economics (BREE) have reported in their July 2014 *Australian Petroleum Statistics* report that end of month industry stocks for June 2014 were in the order of: 19 days of automotive gasoline; 17 days of aviation turbine fuel; and, 12 days of diesel oil (diesel oil includes automotive diesel oil and industrial and marine diesel fuel).¹⁴ The specific breakdown and location of fuel stocks is unknown, as such reporting is not mandated by Government. As noted in the reports *Australia's Liquid Fuel Security (Parts 1 and 2)*, published by the NRMA, 91% of our transport fuels are imported, either as oil to be refined in Australia, or as refined fuel products. The low fuel stockholding levels, and the high reliance on imports, makes Australia particularly vulnerable in the event of an interruption to the import supply chain.

Whilst the Government has expressed a high degree of confidence in the resilience of the fuel supply chain, it has not published any evidence that we have sufficient Australian-controlled sources of fuel to support essential needs in the event of overseas supply interruptions. The 2011 National Energy Security Assessment, upon which this confidence is based, only considered two scenarios in reaching this assessment. Scenarios such as regional conflict or interruption of the supply chain itself were not considered. Given the lack of publicly-owned fuel stocks, the lack of mandated industry stocks, the lack of mandated reporting on industry stocks and the very limited public analysis of supply chain risks, it is difficult to see how our Government could currently provide us with that evidence.

A comparison of Australia's oil/fuel stockholding versus examples of Regional and European nations is sobering. Figure 1 illustrates the comparison of mandated industry oil/fuel stocks and Government owned oil/fuel stocks between Australia, Korea, Japan, France, Italy, Sweden and the UK.¹⁵ It is staggering to realise that Australia is not only deficient in terms of the IEA stockholding obligations¹⁶, but that **we hold no government controlled or mandated stocks at all, in stark contrast to regional and global peers.**

¹⁴ Bureau of Resources and Energy Economics, *Australian Petroleum Statistics*, July 2014, <http://www.bree.gov.au/sites/bree.gov.au/files/files//publications/aps/2014/aps-216-201407.pdf>, Table 7

¹⁵ Benchmarking paper referenced ...

¹⁶ Australia is the only one of the 28 member countries that fails to meet its International Energy Agency (IEA) net oil import stockholding level obligations.

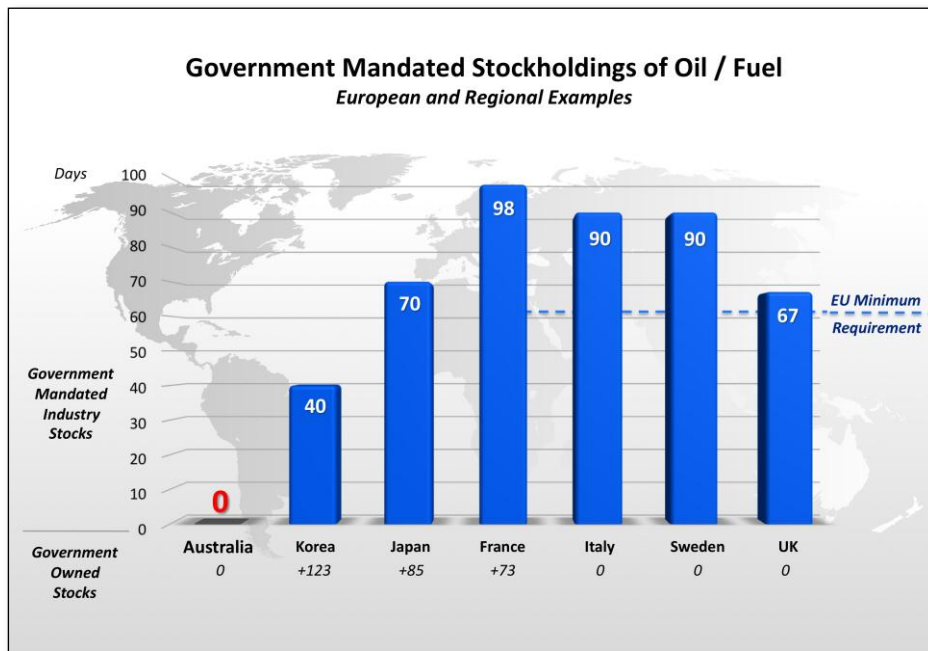


FIGURE 1: COMPARISON OF AUSTRALIA VERSUS REGIONAL AND EUROPEAN NATIONS

Australia is the only oil/fuel importing developed country in the world that has no mandated industry stockholdings, no government owned stockholdings or Government control over any part of the oil / fuel infrastructure.¹⁷ This, in a world that the International Energy Agency says faces ‘a high risk of supply disruption which could have great economic consequences for IEA member countries.’

Stockholding is just one part of the picture. When faced with the realisation that Australia is the only IEA member nation that fails to meet its IEA membership stockholding obligations, many observers jump to the conclusion that meeting these obligations would alone assure our transport energy security. Unfortunately, while increased storage is part of the solution, it is by no means the complete answer. Even if Australia met the IEA stockholding requirements, *i.e. an additional 30+ days net-import oil stocks*, it would only result in an increase of approximately one week’s actual oil and fuel stockholdings *due to the method of calculating net-import oil stockholdings*. Thus, an increase in net-import oil stockholdings to the IEA stipulated level would provide only a slight improvement in fuel security.

The issue of liquid fuel security is far more complex than increasing stockholding. We need to think about the supply and demand aspects of our transport fuel supply as well as stockholdings. A secure, reliable and ongoing **flow** of fuel is necessary if we are to have adequate fuel security, as discussed in the report Australia’s Liquid Fuel Security – Part 2, appended to this submission.

Rather than focus on stockholdings as an isolated endpoint or a stand-alone ‘solution’, the Government needs a comprehensive and multi-faceted approach to energy security. If we examine the overall transport fuel supply chain we find that Australia’s reliance on imported oil and fuel has grown from 60% in 2000 to over 90% in 2013¹⁸, with further declines in indigenous oil and fuel production capacity foreshadowed.

¹⁷ Benchmarking paper referenced ...

¹⁸ NRMA analysis based on extracts from BREE 2014, *Australian Petroleum Statistics*



SENATE INQUIRY TOR 'B' - The Role of Government

Whilst markets can address reliability of supply, security of supply is exclusively a Government responsibility. This submission has previously discussed examples of how the G7 Governments and those of the ASEAN +3 grouping are addressing fuel security in contrast to the Australian Government's complete reliance on market forces to provide for our energy security.

In the NRMA's view, the Australian Government must play a similar activist and interventionist role in ensuring energy security for Australia and Australians. This submission will address three examples where Government should play a role: energy policy; agriculture /food supply and Australian refining capacity.

Energy Policy

The Government is currently establishing Australia's energy policy framework through the Energy White Paper process. Based on the Issues Paper and Green Paper published to date, the Government does not appear to have a transport energy policy, beyond allowing markets to function efficiently. Whilst NRMA favours efficient market operation, as we have noted above there is a role for Government to set the policy framework within which markets should operate and to plan and prepare for extreme events outside the normal bounds of market operation.

The opening two sentences of the Minister's foreword to the Energy Green Paper very effectively capture the importance of energy – and good energy policy – to Australia:

Australia's economy and prosperity are built on access to secure, affordable and reliable energy.

Our energy diversity is one of Australia's natural strengths and one of our most potent competitive advantages.

Unfortunately these comments ignore the transport energy sector where Australia currently does not enjoy any natural strengths or competitive advantages.

Australia's supply of transport energy:

- **is not secure;**
- **is becoming less affordable;**
- **is almost wholly dependent on international markets;**
- **enjoys almost no diversity; and**
- **is not sustainable in the longer-term.**

NRMA believes that Government should specifically address transport fuels in the Energy White Paper and provide the strategic context to reduce Australia's demand for and reliance on imported oil. The current excessive reliance on imported oil has negative implications for motorists and the affordability of transport more generally and adversely affects Australia's balance of payment position.

NRMA urges Government to set the strategic framework in place for establishing adequate future transport fuels and create a **Transport Energy Plan for Australia** to ensure that **Australia's transport energy supplies are: Secure; Affordable; and Sustainable.**

Agriculture / Food Supply

Transport energy is critical to every aspect of Australian society, but none more so than in ensuring the secure production and distribution of Australia's food supply.

The reliance of the Australian agricultural sector and our food supply chain are highly vulnerable to a disruption in transport fuel supplies in two ways: the production and distribution of Australian grown food and the importation and distribution of foreign produced foods.¹⁹ Without timely, effective transport, critical components of our society would rapidly grind to a halt. For example, in NSW, food distribution is enabled by an estimated 25,000 truck trips per week from distribution centres to retail outlets. With an average of only 7 days of chilled and frozen foods stocks and 9 days of dry goods stocks in our food outlets at any point in time, a fuel supply interruption would have serious food supply consequences, particularly in the face of panic buying.²⁰

In the NRMA submission to the Agricultural Competitiveness White Paper we proposed active 'planning and prioritisation' to build energy resilience and thereby provide greater stability and security to Australia's food supply chain. We proposed in 2013 that liquid fuel security be addressed as a component of a national resilience model and that Federal and State Governments should develop appropriate policies and be prepared to invest in and assure diversity of supply.²¹ Without such policies, it would be left to market forces to react to supply chain interruptions in an ad-hoc manner. It is therefore surprising to the NRMA that the Agricultural Competitiveness Green Paper relegated the food security / energy security nexus as a discussion for the Energy White Paper; however, the Energy Green Paper itself made no reference to food security as part of the national energy security framework.

Refinery Capability

As illustrated in Figure 2, in the period 2012 to 2015, we will lose at least 40% of our nation's oil refining capacity.²² During this same period, the political instability in some Middle Eastern countries has worsened, our oil / fuel stocks have declined, and our capacity to produce specialist fuels for our Defence Forces has been eroded²³.

There is no government policy to maintain any refining capacity in Australia. A complete loss of refining capacity in Australia would mean 100% import dependency and no ability to refine Australian produced oil. Some levels of refining capacity will not only protect Australia from a total dependency of imported liquid fuels, but will be required as alternative fuels become economically viable. It will not be practical or feasible to encourage an alternative fuels industry if there is no refinery capacity in Australia.

¹⁹ NRMA Report - Australia's Liquid Fuel Security Part 2, 28 February 2013. p 6

²⁰ NRMA Report - Australia's Liquid Fuel Security, 28 February 2013, page7.

²¹ NRMA Report - Australia's Liquid Fuel Security, 28 February 2013, p 22

²² Benchmarking paper referenced ...

²³ A type of fuel required by the Australian Navy (F44) will cease to be produced as a result of the recently announced closure of the BP refinery in Brisbane.

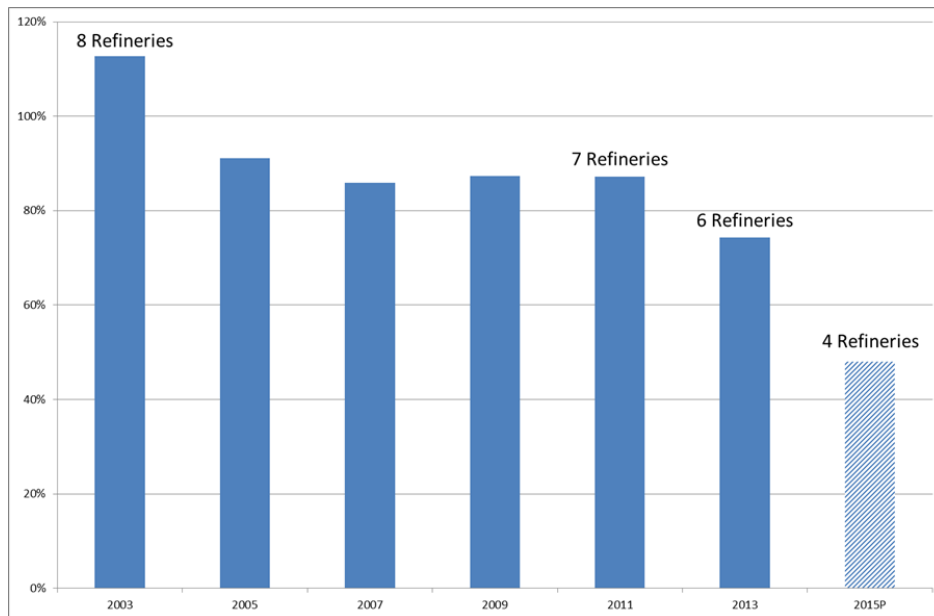


FIGURE 2: AUSTRALIA'S OIL REFINING CAPACITY

The NRMA is concerned at the rapidly diminishing refining capacity in Australia and that the country may lose access to a viable domestic refining capacity without adequate consideration of the implications this outcome may have for transport fuel security. We are not aware of any publicly available analysis which attempts to identify if Australia should retain a refining capacity and if so, how much. The Energy Green Paper identifies the NESA process as being responsible for providing “early warning” to any problems arising from a decline in refining capacity. Page 53 of the Energy Green Paper notes that “declining domestic refining capacity and increasing dependency on fuel imports, particularly for specific fuel types, could enhance concerns about the level of risk to Australia’s national security”, but identifies this as a “longer term” issue. Noting that the 2014 NESA will not be completed prior to the release of the 2014 Energy White Paper, it is assumed that this statement is based on the outdated 2011 NESA.

We suggest that declining domestic refining capacity is not a “longer term” issue, but an issue requiring immediate response. By mid next year, Australia will have lost 50% of our refining capacity since 2003 – the majority of that in just the 3 years spanning 2012-2015 – and all in the absence of any strategic assessment of the importance of a refining capacity to Australia.

SENATE INQUIRY ToR ‘C’ - Australia and Multi-Lateral Fora

Australia is a member of a number of multi-lateral organisations with energy security / energy resilience as a focal area and other fora with energy sub-committees or working groups. Australia is taking a role in some of these fora that could be termed ‘leadership’; we are committing ourselves to guiding and aiding other nations to pursuing energy policies and strategies that promote sustainability and security, to explore resilience through stockpiling, to setting goals and action plans in the areas of renewables and greenhouse gas emissions.

Australia is not always 'walking the talk' on the international stage. If we continue to participate in these fora and continue to under-deliver, we risk our credibility as a nation, and do a disservice to those who with honest intentions participate and commit to actions on behalf of Australia.

We have earlier in this submission discussed the International Energy Agency (IEA) and how Australia is out of step with this agency. This disconnect, in large part, relates to the role of Government in setting the policy agenda for national energy security.

For example, the IEA position regarding member countries and baseline obligations is as follows:

'Before becoming a member country of the IEA, a candidate country must demonstrate that it has:

- as a net oil importer, reserves of crude oil and/or product equivalent to 90 days of the prior year's average net oil imports to which the government (even if it does not own those stocks directly) has immediate access should the Co-ordinated Emergency Response Measures (CERM) – which provide a rapid and flexible system of response to actual or imminent oil supply disruptions – be activated;
- a demand restraint programme for reducing national oil consumption by up to 10%;
- legislation and organisation necessary to operate, on a national basis, the CERM; and
- legislation and measures in place to ensure that all oil companies operating under its jurisdiction report information as is necessary.'²⁴

Interestingly, in its 2014 Australia assessment, the IEA notes:

'Australia does not impose minimum stockholding requirements on oil companies, nor does it have public stocks; all oil stocks in Australia are held by industry on a commercial basis. Until 2000, the year in which its domestic crude production peaked, Australia was either a relatively marginal oil importer or an occasional net oil exporter. As such, Australia's commercial stockholdings more than adequately met the requirement of the International Energy Agency (IEA). **Since 2000, declining domestic oil production coupled with oil demand growth has resulted in a steady rise in net imports, and thus the amount of oil stocks necessary to meet Australia's IEA obligation.**'²⁵

At a regional level, Australia is also deficient when it comes to our actions versus the undertakings we sign up to as a nation.

We are one of the 16 nations to be a signatory to the *Cebu Declaration on East Asian Energy Security 2007* which recognises many elements of energy security and commits to a range of measures to ensure energy security for the region. For example:

- Promote cleaner and lower emissions technologies that allow for the continued economic use of fossil fuels while addressing air pollution and greenhouse gas emissions;
- **Encourage the use of biofuels** and work towards freer trade on biofuels and a standard on biofuels used in engines and motor vehicles;

²⁴ International Energy Agency, Member Countries, <http://www.iea.org/countries/membercountries/>

²⁵ International Energy Agency, Energy Supply Security 2014, Australia, http://www.iea.org/media/freepublications/security/EnergySupplySecurity2014_Australia.pdf

- Take concrete action toward improving efficiency and conservation, while enhancing international cooperation through intensified energy efficiency and conservation programmes;
- Set individual goals and formulate action plans voluntarily for improving energy efficiency;
- **Increase capacity and reduce costs of renewable and alternate energy sources through innovative financing schemes;**
- **Encourage collective efforts in intensifying the search for new and renewable energy resources and technologies, including research and development in biofuels;**
- Encourage recycling of oil revenues and profits for equity investments and long term, affordable loan facilities for developing countries in the region;
- **Explore possible modes of strategic fuel stockpiling such as individual programmes, multi-country and/or regional voluntary and commercial arrangements;**
- Promote clean use of coal and development of clean coal technologies and international environmental cooperation towards mitigating global climate change;
- Pursue regional or bilateral cooperation through research and development, sharing of best practices, and financing of energy products; and
- **Assist less developed countries in enhancing national capacity building in achieving the above goals.**²⁶

ASEAN nations comprised 10 of the 16 Cebu signatories. It is worth noting that Australia has a strong and enduring relationship with ASEAN – 40 years in 2014. Indeed, the ASEAN website notes that:

‘Cooperation in the area of energy remains robust. Australia actively participates in the regular/annual meetings of the EAS Energy Cooperation Task Force (ECTF) and EAS Energy Ministers (EMM). In addition, Australia continues to host and support the South East Asia and Pacific Regional Secretariat of the Renewable Energy and Energy Efficiency Partnership (REEEP), which is working to reduce barriers to the uptake of renewable energy and energy efficiency technologies with a focus on developing countries and emerging markets.’²⁷

Yet despite Australia’s level of engagement and commitment to actions, particularly in our region, it is difficult to sense a real commitment by Australia to some of activities being undertaken on the world stage.

For example, NRMA questions Australia’s commitment to renewables transport fuels especially in the light of the intent to disband the Australian Renewable Energy Agency (ARENA). We noted in our submission to the Senate Economics Legislation Committee consideration of the ARENA Repeal Bill that the loss of a federal agency committed to ‘renewables’ funding and research would impact Australia’s future energy security and risk loss of competitiveness in a world increasingly looking to bioenergy options. NRMA believes that investment in alternative fuels research must be a part of the Federal Government’s agenda for Australia’s future energy security and resilience.

²⁶ Department of Foreign Affairs and Trade, Cebu Declaration on East Asian Energy Security, http://www.dfat.gov.au/asean/eas/070115_cebu_declaration_eaes.html

²⁷ Overview of ASEAN-Australia Dialogue Relations, <http://www.asean.org/news/item/overview-of-asean-australia-dialogue-relations>



Further, Australia lacks an energy security framework, appears content to outsource our energy security to the market, and is allowing our indigenous refining capacity to rapidly degrade and disappear. Within this energy security culture, it is difficult to understand how Australia can assist the less developed nations of the region address their energy security needs.

While Australia is not a member of the G7, it is informative to again review the position of the G7 in relation to energy security. As discussed earlier in this paper, the G7 Energy Ministers Joint Statement proposed that energy security is a collective responsibility and that they will be leading discussions and cooperation across international fora, **including the G20**, to explore 'a broader energy security strategy ... to address the larger dimensions of today's globalised energy markets ...'. As a member of the G20, and as host country for the 2014 round of meetings, Australia needs a more robust and mature debate about the role of Government in delivering secure, affordable and sustainable transport energy for Australians.



CONCLUSIONS

NRMA has been vocal on the issue of transport energy resilience and sustainability for a number of years. Energy resilience and sustainability are the cornerstones of energy security. We continue to believe that Government places too much faith in the 'market' operating in the absence of a strategic energy policy, to achieve the resilience and sustainability necessary to deliver energy security to the Australian people.

The 2014 Energy White Paper should be the springboard for the Australian Government to begin a serious consideration of Australia's energy future. However, the NRMA is of the view that the Energy White Paper is shaping up to be a document that articulates process rather than a vision for a sustainable and resilient transport energy future.

Of even greater concern is that the Energy White Paper and other White Papers under development such as those for Agricultural Competitiveness and Northern Australia appear to be taking place in individual stovepipes with little regard for the points of commonality and the need for an overarching national strategic framework.

Transport energy is the lifeblood of our nation. Government cannot hope to achieve the correct strategic outcome for Australia anticipated by these White Papers without a cohesive policy position that recognises transport energy in all aspects of future strategic planning.

The NRMA would welcome the opportunity to provide further details of its fuel security analysis to the Senate Inquiry.

RECOMMENDATIONS

NRMA makes the following recommendations for consideration by the Inquiry members. These recommendations are aspirational, but certainly achievable with the correct political will.

- Government should ensure that the Energy White Paper and National Energy Security Assessment 2015, as well as the Agricultural Competitiveness and Northern Australia White Papers, specifically consider the strategic and security implications of transport fuel supply chains.
- Government should undertake a public analysis of Australia's refining capacity with a view to determining the implications of ongoing closures, and the loss of indigenous capacity, on near-term and longer-term resilience and security.
- Government should prepare a comprehensive Transport Energy Plan for Australia to ensure the safety, well-being and prosperity of all Australians is protected in the event of a disruption to national fuel supplies.
- Rather than focus on stockholdings as an isolated endpoint or a stand-alone 'solution', the Government needs a comprehensive and multi-faceted suite of policies to ensure the transport fuels needed for Australia are secure, affordable and sustainable.
- Government should commit to a program of regulatory reform and Government facilitation in the transport energy sector. For example,

- Review inconsistent application of fuel excise across alternative fuel classes (LNG, LPG, CNG, biomass)
 - Reform fuel excise across transport modes such as road freight and rail freight
 - Review inconsistent mandates for alternative fuels (such as ethanol) across jurisdictions
 - Review fuel conversion programs limited to a single fuel type (LPG)
 - Review inconsistent registration discounts for cleaner vehicles across jurisdictions
 - Review of vehicle performance standards eg fuel consumption and emissions
 - Identify an appropriate level of energy security for Australia and develop a comprehensive least-cost plan to achieve this, including a balance of supply, demand and storage responses
 - Ensure that government has access to timely, relevant information with which to ensure Australia's fuel security is being appropriately managed
- Government should, in partnership with industry, conduct an audit of alternative fuels research to determine capacity and capability and provide a baseline from which to synchronise research, fund investment, and deliver a viable alternative fuels option for Australians.
 - Government should initiate a coordinated research and development effort with the objective of security 30% of Australia's transport energy from alternate sources by 2030.
 - Government should review undertakings in international fora with a view to assessing current levels of 'compliance' and rectify deficiencies where possible.

Appendixes:

1. NRMA Fuel Security Report Part 1
2. NRMA Fuel Security Report Part 2